

SUPERVISORY AGREEMENT

This Supervisory Agreement (Agreement) is made this 18th day of January, 2011 by and through the Board of Directors (Board) of The Oculina Bank, Ft. Pierce, Florida, OTS Docket No. 17955 (Association) and the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the Southeast Region (Regional Director);

WHEREAS, the OTS, pursuant to 12 U.S.C. § 1818, has the statutory authority to enter into and enforce supervisory agreements to ensure the establishment and maintenance of appropriate safeguards in the operation of the entities it regulates; and

WHEREAS, the Association is subject to examination, regulation and supervision by the OTS; and

WHEREAS, based on its July 30, 2010 examination of the Association (2010 Examination), the OTS finds that the Association has engaged in unsafe or unsound practices and/or violations of law or regulation; and

WHEREAS, in furtherance of their common goal to ensure that the Association addresses the unsafe or unsound practices and/or violations of law or regulation identified by the OTS in the 2010 Examination, the Association and the OTS have mutually agreed to enter into this Agreement; and

WHEREAS, on January 14, 2011, the Association's Board, at a duly constituted meeting, adopted a resolution (Board Resolution) that authorizes the Association to enter into this Agreement and directs compliance by the Association and its directors, officers, employees, and other institution-affiliated parties with each and every provision of this Agreement.

NOW THEREFORE, in consideration of the above premises, it is agreed as follows:

Growth.

1. Effective April 1, 2011, the Association shall not increase its total assets during any quarter in excess of an amount equal to net interest credited on deposit liabilities during the prior quarter without the prior written notice of non-objection of the Regional Director.

Business Plan.

2. Within sixty (60) days , the Association shall submit a comprehensive business plan for calendar years 2011 and 2012 (Business Plan) that addresses all corrective actions in the 2010 Examination relating to the Association's business operations to the Regional Director for review and non-objection. Thereafter, the Association shall submit an updated two year Business Plan at least sixty (60) days prior to the end of each calendar year. At a minimum, the Business Plan shall conform to applicable laws, regulations and regulatory guidance and include:

- (a) plans to improve the Association's core earnings and achieve profitability on a consistent basis throughout the term of the Business Plan;
- (b) detailed strategies and actions the Association will take to reduce the overall risk profile of the Association;
- (c) specific targets and dates and supporting documentation to demonstrate the reduction in the overall risk profile of the institution;
- (d) a written contingency funding plan that complies with applicable law, regulation and regulatory guidance and will ensure that the Association maintains adequate liquidity to meet deposit demands, including extraordinary deposit demands, under various adverse scenarios;
- (e) quarterly pro forma financial projections (balance sheet, regulatory capital ratios, and income statement) for each quarter covered by the Business Plan; and

(f) consideration of the requirements of this Agreement.

3. Upon receipt of written notification of non-objection from the Regional Director, the Association shall implement and adhere to the Business Plan. A copy of the Business Plan and the Board meeting minutes reflecting the Board's adoption thereof shall be provided to the Regional Director within twenty (20) days after the Board meeting.

4. Any material modifications¹ to the Business Plan must receive the prior written non-objection of the Regional Director. The Association shall submit proposed material modifications to the Regional Director at least forty-five (45) days prior to implementation.

5. Within thirty (30) days after the end of each quarter, beginning with the Quarter ending March 31, 2011, the Board shall review quarterly variance reports on the Association's compliance with the Business Plan (Variance Reports). The Variance Reports shall:

- (a) identify variances in the Association's actual performance during the preceding quarter as compared to the projections set forth in the Business Plan;
- (b) contain an analysis and explanation of identified variances; and
- (c) discuss the specific measures taken or to be taken to address identified variances.

6. A copy of the Variance Reports and Board meeting minutes shall be provided to the Regional Director within twenty (20) days after the Board meeting.

Concentrations of Credit.

7. Within sixty (60) days, the Association shall revise its written program for identifying, monitoring, and controlling risks associated with concentrations of credit (Credit Concentration Program) to address all corrective actions set forth in the 2010 Examination relating to

¹ A modification shall be considered material under this Section of the Agreement if the Association plans to: (a) engage in any activity that is inconsistent with the Business Plan; or (b) exceed the level of any activity contemplated in the Business Plan or fail to meet target amounts established in the Business Plan by more than ten percent (10%), unless the activity involves assets risk-weighted fifty percent (50%) or less, in which case a variance of more than twenty-five percent (25%) shall be deemed to be a material modification.

concentrations of credit, and to ensure that all elements of CEO Memo 252 are addressed, including establishment of expanded stratification levels and limits, additional analysis, enhanced risk monitoring, and improved internal reporting to the Board.

8. Within thirty (30) days after the close of each calendar quarter, beginning with the quarter ending March 31, 2011, Management shall prepare and submit for Board review a written report assessing the Association's compliance with the Credit Concentration Program (Concentration Report). The Board's review of the Concentration Report, including any corrective actions adopted by the Board, shall be fully documented in the appropriate Board meeting minutes. A copy of the Concentration Report and any supporting documents, reports, or other information reviewed by the Board, and the Board meeting minutes detailing the Board's review, shall be provided to the Regional Director within twenty (20) days after the Board meeting.

Allowance for Loan and Lease Losses.

9. Within sixty (60) days, the Association shall revise its policies, procedures, and methodology relating to the timely establishment and maintenance of an adequate allowance for loan and lease losses (ALLL) level (ALLL Policy) to address all corrective actions set forth in the 2010 Examination relating to ALLL. The ALLL Policy shall comply with applicable laws, regulations, and regulatory guidance and shall:

- (a) incorporate the results of all internal loan reviews and classifications;
- (b) address the historical loan loss rates of the Association in compliance with regulatory guidance;
- (c) require an expanded segmentation of the Association's loan portfolio for internal loan review analysis, as directed in the 2010 Examination;

- (d) include an estimate of the potential loss exposure on each significant² credit;
- (e) address the level and impact of the Association's current concentrations of credit, including geographic concentrations; and
- (f) take into consideration current and prospective market and economic conditions.

10. Within thirty (30) days after the end of each quarter, beginning with the quarter ending March 31, 2011, the Association shall analyze the adequacy of the ALLL consistent with its ALLL Policy (Quarterly ALLL Report). The Board's review of the Quarterly ALLL Report, including, but not limited to, all qualitative factors considered in determining the adequacy of the Association's ALLL, shall be fully documented in the Board meeting minutes. Any deficiency in the ALLL shall be remedied by the Association in the quarter in which it is discovered and before the Association files its Thrift Financial Report (TFR) with the OTS.

Internal Asset Review and Classification.

11. Within sixty (60) days, the Association shall revise its written internal asset review and classification program (IAR Program) to address all corrective actions set forth in the 2010 Examination relating to internal asset review and classification. The IAR Program shall comply with all applicable laws, regulations and regulatory guidance. At a minimum, the IAR Program shall:

- (a) ensure the accurate and timely identification, classification, and reporting of the Association's assets, including the designation of loans as special mention or placement of loans on a watch list where a borrower's credit standing has deteriorated;
- (b) detail the Association's loan grading systems and specify parameters for the identification of problem loans for each type of loan offered by the Association; and

² A credit shall be considered significant for the purposes of assessing, establishing, and maintaining an appropriate level of ALLL if it is/was FIVE HUNDRED THOUSAND DOLLARS (\$500,000.00) or greater at origination.

(c) require quarterly reports be submitted to the Board detailing the Association's adversely classified, special mention and delinquency ratios.

12. By February 15, 2011, the Association shall retain a qualified, experienced, and independent third party, approved by the Board, to assess the Association's internal asset review function and conduct, at a minimum, semi-annual reviews of the Association's commercial real estate and commercial nonmortgage loans, or loan relationships and all assets classified Substandard, Doubtful, Loss or Special Mention, greater than \$500,000 (Independent Asset Review). The initial Independent Asset Review following the Effective Date of this Order shall be completed no later than March 31, 2011. The results and findings of each Independent Asset Review shall be in writing (IAR Report) and reviewed by the Board at the first regular Board meeting following completion of the IAR Report. A copy of the IAR Report and the Board meeting minutes detailing the Board's review shall be provided to the Regional Director within twenty (20) days after the Board meeting.

Problem Asset Plan.

13. Within sixty (60) days, the Association shall develop a detailed, written plan with specific strategies, targets and timeframes to reduce³ the Association's level of problem assets⁴ (Problem Asset Reduction Plan). The Problem Asset Reduction Plan, at a minimum, shall include:

(a) monthly targets for the level of problem assets expressed as dollar amounts and a percentage of Tier 1 (Core) capital plus ALLL;

³ For purposes of this Paragraph, "reduce" means to collect, sell, charge off, or improve the quality of an asset sufficient to warrant its removal from adverse criticism or classification.

⁴ The term "problem assets" shall include all classified assets, assets designated special mention, nonperforming assets, real estate owned, and delinquent loans.

- (b) a description of the specific methods for reducing the Association's level of problem assets to the established targets;
- (c) all relevant assumptions and projections; and
- (d) individual written workout plans for each problem asset, group of loans to any one borrower or lending relationship of Seven Hundred Fifty Thousand Dollars (\$750,000.00) or greater (Individual Workout Plans).

14. Effective immediately, the Association shall revise all existing Individual Workout Plans to address all corrective actions in the 2010 Examination. Each Asset Workout Plan shall:

- (a) contain detailed strategies and actions that are designed to eliminate the basis of criticism or classification for each asset, and must not include the acquisition of troubled loans from other lenders to the same borrower as a strategy;
- (b) include specific timeframes for the completion of all detailed strategies and actions, including an exit strategy for each problem asset;
- (c) include a list of any credit and collateral documentation that is needed to comply with the Associations lending and appraisal policies; and
- (d) detail the actions and steps the Association will take to obtain any needed credit and collateral documentation.

15. Within thirty (30) days after the end of each quarter, beginning with the quarter ending March 31, 2011, the Association shall submit a quarterly written asset status report (Quarterly Asset Report) to the Board. The Board's review of the Quarterly Asset Report shall be documented in the Board meeting minutes. The Quarterly Asset Report shall include, at a minimum:

- (a) the current status of all Asset Workout Plans;

- (b) a comparison of problem assets to Tier 1 (Core) capital plus ALLL and Total Risk-Based capital;
- (c) a comparison of problem assets at the current quarter end with the preceding quarter;
- (d) a breakdown of problem assets by type and risk factor (grade);
- (e) an assessment of the Association's compliance with the Problem Asset Reduction Plan; and
- (f) a discussion of the actions taken during the preceding quarter to reduce the Association's level of problem assets.

16. Within twenty (20) days after the end of each quarter, a copy of the Quarterly Asset Report shall be provided to the Regional Director.

Financial Recordkeeping and Reporting.

17. Effective immediately, the Association shall ensure that its books and records, financial reports and statements are timely and accurately prepared and filed in compliance with generally accepted accounting principles and applicable laws, regulations, and regulatory guidance including, but not limited to, 12 C.F.R. Part 562 and the Thrift Financial Report (TFR) instructions.

18. Effective immediately, the Association shall ensure that troubled debt restructurings (TDRs) are accurately and timely identified and reported on the TFR and that allowance for loan and lease loss (ALLL) on TDRs is calculated in accordance with applicable regulatory guidance including, but not limited to, Accounting Standards Codification (ASC) No. 310-10, *Accounting by Creditors for Impairment of a Loan*; OTS Thrift Bulletin 85, *Regulatory and Accounting Issues Related to Modifications and TDRs of 1-4 Residential Mortgage Loans*; and Statement of

Financial Accounting Standards (SFAS) No. 114, *Accounting by Creditors for Impairment of a Loan*.

19. Effective immediately, the Association shall report all loans downgraded by the OTS in the 2010 Examination as classified assets on the Association's TFR until such time as the loans are paid off, sold, charged off, or the Association has obtained the prior written non-objection of the Regional Director.

Credit Administration.

20. Within sixty (60) days, the Association shall develop, implement and adhere to credit administration policies, procedures, practices, and controls (Credit Administration Policy) that address all corrective actions in the 2010 Examination relating to credit administration and review. The Credit Administration Policy shall comply with applicable laws, regulations and regulatory guidance and shall, at a minimum:

- (a) establish periodic requirements for obtaining updated income documentation for borrowers that demonstrates each borrower's ability to meet all contractual debt service obligations from current, verified net income and cash flow;
- (b) assess contingent liabilities of borrowers and guarantors to assess the financial capacity of borrowers and guarantors to cover collateral shortfalls; and
- (c) require allocations for living expenses to be included in the global cash flow analysis.

Transactions with Insiders.

21. Effective immediately, the Association shall ensure that all transactions with Insiders⁵ comply with applicable laws, regulations and regulatory guidance. Within sixty (60) days, the

⁵ The term Insider is defined at 12 C.F.R. § 215.2(h).

Association shall develop and adhere to policies, procedures, systems, and controls, including periodic training of Association employees on the requirements applicable to transactions with Insiders, that will ensure all transactions with Insiders comply with applicable laws, regulations and regulatory guidance.

Transactions with Affiliates.

22. Effective immediately, the Association shall not engage in any new transaction with an affiliate unless, with respect to each such transaction, the Association has complied with the notice requirements set forth in 12 C.F.R. § 563.41(c)(4), which shall include the information set forth in 12 C.F.R. § 563.41(c)(3). The Board shall ensure that any transaction with an affiliate for which notice is submitted pursuant to this Paragraph, complies with the requirements of 12 C.F.R. § 563.41 and Regulation W, 12 C.F.R. Part 223 (TWA Regulations).

Brokered Deposits.

23. Effective immediately, the Association shall comply with the requirements of 12 C.F.R. § 337.6(b). The Association shall provide to the Regional Director a copy of any waiver request submitted to the Federal Deposit Insurance Corporation (FDIC).

24. Effective immediately, the Association is prohibited from increasing the dollar amount of brokered deposits⁶ at the Association without receiving the prior written non-objection of the Regional Director. The Association's written request for non-objection shall be submitted to the Regional Director at least forty-five (45) days prior to the anticipated date of acceptance of additional brokered deposits.

⁶ The term "brokered deposit" is defined at 12 C.F.R. § 337.6(a)(2).

Directorate and Management Changes.

25. Effective immediately, the Association shall comply with the prior notification requirements for changes in directors and Senior Executive Officers⁷ set forth in 12 C.F.R. Part 563, Subpart H.

Golden Parachute and Indemnification Payments.

26. Effective immediately, the Association shall not make any golden parachute payment⁸ or prohibited indemnification payment⁹ unless, with respect to each such payment, the Association has complied with the requirements of 12 C.F.R. Part 359 and, as to indemnification payments, 12 C.F.R. § 545.121.

Employment Contracts and Compensation Arrangements.

27. Effective immediately, the Association shall not enter into, renew, extend or revise any contractual arrangement relating to compensation or benefits for any Senior Executive Officer or director of the Association, unless it first provides the Regional Director with not less than thirty (30) days prior written notice of the proposed transaction. The notice to the Regional Director shall include a copy of the proposed employment contract or compensation arrangement or a detailed, written description of the compensation arrangement to be offered to such officer or director, including all benefits and perquisites. The Board shall ensure that any contract, agreement or arrangement submitted to the Regional Director fully complies with the requirements of 12 C.F.R. Part 359, 12 C.F.R. §§ 563.39 and 563.161(b), and 12 C.F.R. Part 570 – Appendix A, and the Interagency Guidance on Sound Incentive Compensation Policies contained in OTS Chief Executive Officer Memorandum No. 354.

⁷ The term “Senior Executive Officer” is defined at 12 C.F.R. § 563.555.

⁸ The term “golden parachute payment” is defined at 12 C.F.R. § 359.1(f).

⁹ The term “prohibited indemnification payment” is defined at 12 C.F.R. § 359.1(l).

Dividends and Other Capital Distributions.

28. Effective immediately, the Association shall not declare or pay dividends or make any other capital distributions, as that term is defined in 12 C.F.R. § 563.141, without receiving the prior written approval of the Regional Director in accordance with applicable regulations and regulatory guidance. The Association's written request for approval shall be submitted to the Regional Director at least thirty (30) days prior to the anticipated date of the proposed declaration, dividend payment or distribution of capital.

Third Party Contracts.

29. Effective immediately, the Association shall not enter into any arrangement or contract with a third party service provider that is significant to the overall operation or financial condition of the Association¹⁰ or outside the Association's normal course of business unless, with respect to each such contract, the Association has: (a) provided the Regional Director with a minimum of thirty (30) days prior written notice of such arrangement or contract and a written determination that the arrangement or contract complies with the standards and guidelines set forth in Thrift Bulletin 82a (TB 82a); and (b) received written notice of non-objection from the Regional Director.

Debt Limitations.

30. Effective immediately, the Association shall not: (a) incur, issue, renew, or rollover any debt,¹¹ increase any current lines of credit, or otherwise incur any additional debt without

¹⁰ A contract will be considered significant to the overall operation or financial condition of the Association where the annual contract amount equals or exceeds two percent (2%) of the Association's total capital, where there is a foreign service provider, or where it involves information technology that is critical to the Association's daily operations without regard to the contract amount.

¹¹ For purposes of this Paragraph of the Agreement, the term "debt" includes, but is not limited to: loans, bonds, cumulative preferred stock, hybrid capital instruments such as subordinated debt or trust preferred securities, and guarantees of debt; and does not include: liabilities that are incurred in the ordinary course of business to acquire

receiving the prior written non-objection of the Regional Director; or (b) authorize or permit any subsidiary of the Association to incur, issue, renew, or rollover any debt, increase any current lines of credit, or otherwise incur any additional debt without receiving the prior written non-objection of the Regional Director.. All written requests to the Regional Director shall include, at a minimum: a statement regarding the purpose of the debt; a copy of the debt agreement; the planned source(s) for debt repayment; and an analysis of the cash flow resources available to meet such debt repayment. The Association's written request for non-objection shall be submitted to the Regional Director at least forty-five (45) days prior to the anticipated date of the proposed debt issuance, renewal, or rollover; the proposed increase in any current lines of credit; the proposed guarantee of the debt of any entity; or any other incurrence of additional debt.

Violations of Law.

31. Within sixty (60) days, the Association shall ensure that all violations of law and/or regulation discussed in the 2010 Examination are corrected and that adequate policies, procedures and systems are established or revised and thereafter implemented to prevent future violations.

Board Oversight of Compliance with Agreement.

32. Within thirty (30) days, the Board shall designate a committee to monitor and coordinate the Association's compliance with the provisions of this Agreement and the completion of all corrective actions required in the 2010 Examination (Compliance Committee). The Compliance Committee shall review all of management's corrective actions and make an independent determination of the Association's compliance with this Agreement. The Compliance

goods and services and that are normally recorded as accounts payable under generally accepted accounting principles.

Committee shall be comprised of three (3) or more directors, the majority of whom shall be independent¹² directors.

33. Within thirty (30) days after the end of each quarter, beginning with the quarter ending March 31, 2011, the Compliance Committee shall submit a written compliance progress report to the Board (Compliance Tracking Report). The Compliance Tracking Report shall, at a minimum:

- (a) separately list each corrective action required by this Agreement and the 2010 Examination;
- (b) identify the required or anticipated completion date for each corrective action; and
- (c) discuss the current status of each corrective action, including the action(s) taken or to be taken to comply with each corrective action; and
- (d) detail the Compliance Committee's determinations regarding the Association's compliance with the Agreement and completion of all corrective actions required in the 2010 Examination.

¹² For purposes of this Agreement, an individual who is "independent" with respect to the Association shall be any individual who:

- (a) is not employed in any capacity by the Association, its subsidiaries, or its affiliates, other than as a director;
- (b) does not own or control more than ten percent (10%) of the outstanding shares of the Association or any of its affiliates;
- (c) is not related by blood or marriage to any officer or director of the Association or any of its affiliates, or to any shareholder owning more than ten percent (10%) of the outstanding shares of the Association or any of its affiliates, and who does not otherwise share a common financial interest with any such officer, director or shareholder;
- (d) is not indebted, directly or indirectly, to the Association or any of its affiliates, including the indebtedness of any entity in which the individual has a substantial financial interest, in an amount exceeding 10 percent (10%) of the Association's total Tier 1 (Core) capital; and
- (e) has not served as a consultant, advisor, underwriter, or legal counsel to the Association or any of its affiliates.

34. Within forty-five (45) days after the end of each quarter, beginning with the quarter ending March 31, 2011, the Board shall review the Compliance Tracking Report and all reports required by this Agreement. Following its review, the Board shall adopt a resolution: (a) certifying that each director has reviewed the Compliance Tracking Report and all required reports; and (b) documenting any corrective actions adopted by the Board. A copy of the Compliance Tracking Report and the Board resolution shall be provided to the Regional Director within twenty (20) days after the Board meeting.

Effective Date.

35. This Agreement is effective on the Effective Date as shown on the first page.

Duration.

36. This Agreement shall remain in effect until terminated, modified or suspended, by written notice of such action by the OTS, acting by and through its authorized representatives.

Time Calculations.

37. Calculation of time limitations for compliance with the terms of this Agreement run from the Effective Date and shall be based on calendar days, unless otherwise noted.

Submissions and Notices.

38. All submissions to the OTS that are required by or contemplated by the Agreement shall be submitted within the specified timeframes.

39. Except as otherwise provided herein, all submissions, requests, communications, consents or other documents relating to this Agreement shall be in writing and sent by first class U.S. mail (or by reputable overnight carrier, electronic facsimile transmission or hand delivery by messenger) addressed as follows:

- (a) To the OTS:
Regional Director
Office of Thrift Supervision
1475 Peachtree St., NE
Atlanta, Georgia 30309
404.897.1861 (Fax)
- (b) To the Association
The Oculina Bank
c/o Jeffrey A. Maffett, Chairman
780 US Highway 1
Vero Beach, Florida 34949
772.563.4909 (Fax)

No Violations Authorized.

40. Nothing in this Agreement shall be construed as allowing the Association, its Board, officers or employees to violate any law, rule, or regulation.

OTS Authority Not Affected.

41. Nothing in this Agreement shall inhibit, estop, bar or otherwise prevent the OTS from taking any other action affecting the Association if at any time the OTS deems it appropriate to do so to fulfill the responsibilities placed upon the OTS by law.

Other Governmental Actions Not Affected.

42. The Association acknowledges and agrees that its execution of the Agreement is solely for the purpose of resolving the matters addressed herein, consistent with Paragraph 41 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Association that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than the OTS.

Miscellaneous.

43. The laws of the United States of America shall govern the construction and validity of this Agreement.

44. If any provision of this Agreement is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise.

45. All references to the OTS in this Agreement shall also mean any of the OTS's predecessors, successors, and assigns.

46. The section and paragraph headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

47. The terms of this Agreement represent the final agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters.

Enforceability of Agreement.

48. This Agreement is a "written agreement" entered into with an agency within the meaning and for the purposes of 12 U.S.C. § 1818.

Signature of Directors/Board Resolution.

49. Each Director signing this Agreement attests that he or she voted in favor of a Board Resolution authorizing the consent of the Association to the issuance and execution of the Agreement. This Agreement may be executed in counterparts by the directors after approval of execution of the Agreement at a duly called board meeting. A copy of the Board Resolution

authorizing execution of this Agreement shall be delivered to the OTS, along with the executed original(s) of this Agreement.

WHEREFORE, the OTS, acting by and through its Regional Director, and the Board of the Association, hereby execute this Agreement.

THE OCULINA BANK
Fort Pierce, Florida

OFFICE OF THRIFT SUPERVISION

By: _____/s/_____

Jeffrey A. Maffett
Chairman

By: _____/s/_____

James G. Price
Regional Director, Southeast Region

Directors Signatures

_____/s/_____
William J. Casey, Director

_____/s/_____
Beverly D. Butt, Director

_____/s/_____
William F. Donovan, Director

_____/s/_____
Michael Gelety, Jr., Director

_____/s/_____
Berlyn D. Harrison, Director

_____/s/_____
Thomas W. Hurley, Director

_____/s/_____
Annette J. Maffett, Director

Bernard P. Spearman, Director